

**PUBLIC DISCLOSURE**

MAY 5, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

THE SHARON CO-OPERATIVE BANK

7 SOUTH MAIN STREET  
SHARON, MASSACHUSETTS 02067

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **SHARON CO-OPERATIVE BANK (or the "Bank")** prepared by the Division, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."**

Based on the five criteria specified for institutions with assets under \$250 million, Sharon Co-operative Bank's overall CRA performance is considered Satisfactory. The Bank's loan-to-deposit ratio stood at 71.2 percent as of December 31, 2004, and averaged 67.8 percent over the last 8 quarters. These figures exemplify adequate performance levels and meet the standards for satisfactory performance based on the Bank's size, customer credit needs, and the highly competitive market in which it operates.

Mortgage loan data for calendar years 2003 and 2004, indicate that the Bank originates the majority of its residential mortgages outside the assessment area. Hence, the Bank fails to meet the standards for satisfactory performance in this category.

Low- and moderate-income families represent 28.72 percent of the total families within the assessment area. The Bank's performance in lending to borrowers of different income levels is considered to be marginal when compared to the distribution of family households, especially moderate-income households.

The Bank's assessment area contains no low- and moderate-income census tracts. Based on the analysis of the geographic distribution of loans within each locality, the Bank's performance is considered satisfactory.

Finally, based on a review of the Bank's CRA-related complaint file and fair lending policies and practices, no evidence of any discriminatory practices was noted. An overall rating of "Satisfactory" was warranted.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Sharon Co-operative Bank was founded in 1912 and was the first bank established in the town. The Bank is a mutually owned, state chartered institution with its only office located in Sharon, MA. The Bank has a drive-up window, an Automated Teller Machine (“ATM”), and offers web banking for customer convenience. The Bank’s ATM is connected to the Money Access Service network with additional access to NYCE and Cirrus. Banking hours are considered convenient and accessible to the Bank’s customers.

As of December 31, 2004, the Bank’s assets totaled \$66.8 million of which \$42.79 million or 64.1 percent represented total loans. The Bank is primarily a real estate lender with 96.31 percent of its loan portfolio consisting of residential real estate loans. The remaining loan portfolio consists of personal loans and home improvement loans. Additional information regarding the comparison of the Bank’s loan portfolio is summarized below.

<b>Loan Distribution as of December 31, 2004</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(000)</b>	<b>Percent (%)</b>
Secured by:		
Construction and Land Development	255	0.60
1-4 Family Residential Properties	40,959	95.71
Multi Family (5 or more) Residential Properties	0	0.00
Nonfarm Nonresidential Properties	12	0.03
Commercial and Industrial Loans	643	1.50
Consumer Loans	925	2.16
Less: Unearned Income	0	0.00
<b>Total</b>	<b>42,794</b>	<b>100.00</b>

Source: Report of Condition

Other than the Bank’s relatively small asset size and limited staff, there appears to be no significant financial or legal impediments which would limit the Bank’s ability to help meet the various credit needs of its assessment area.

The Bank operates in a very competitive market. Local competitors include but are not limited to Bank of America, Citizen’s Bank and Sharon Credit Union, as well as representatives of regional and national mortgage companies.

The Bank was last examined for compliance with CRA by the Federal Deposit Insurance Corporation (“FDIC”) on January 27, 2003 and resulted in a Satisfactory rating. The previous Division examination was conducted on September 13, 1999 where the Bank also received a Satisfactory rating.

## **PERFORMANCE CONTEXT (CONTINUED)**

### **Description of Assessment Area**

CRA requires financial institutions to define an assessment area within which its lending efforts are focused. The Division evaluates the institution's CRA performance based upon the defined assessment area.

Sharon Co-operative Bank has defined its assessment area as the Towns of Sharon and Stoughton, both located in the Boston Metropolitan Statistical Area ("MSA"). The Bank's assessment area contains 9 census tracts. Of the total tracts, 5 are designated as upper-income and 4 are designated as middle-income.

The assessment area is accessible by Interstate Highway 95. The area has experienced growth both commercially and as a residential community. Several major commercial and industrial areas have been developed with the expansion of the state's highway system. The area also offers commuter rail service to both Boston and Providence. The location, between two major commerce centers, combined with desirable residential communities that offer many recreational activities have made this area a popular suburban community.

Based on the 2000 U.S. Census data the Department of Housing and Urban Development ("HUD") median family income for the Boston MSA was \$65,500. Subsequently, HUD makes annual adjustments of MSA median family income figures. The adjusted median family income for the MSA for 2003 was \$80,800.

Effective for 2004, the Boston MSA was subdivided to form smaller groupings of counties referred to as Metropolitan Divisions ("MD"). The Towns of Sharon and Stoughton are now part of the subdivision referred to as the Boston-Quincy MD. The adjusted median family income for the Boston-Quincy MD for 2004 was \$75,300.

### **Assessment Area 2003/2004**

The following table provides demographic and economic information pertaining to the Bank's assessment area for 2003 based on census data for 2000, the assessment area is comprised of 9 census tracts. The breakdown classification of the tracts in 2003 is as follows: 6 middle-income and 3 upper-income.

<b><i>Selected Housing Characteristics by Income Category of the Geography</i></b>							
<b><i>Geographic Income Category</i></b>	<b><i>Percentage</i></b>						<b><i>Median Home Value</i></b>
	<b><i>Census Tracts</i></b>	<b><i>House- holds</i></b>	<b><i>Housing Units</i></b>	<b><i>Owner- Occupied</i></b>	<b><i>Rental Units</i></b>	<b><i>Vacant Units</i></b>	
<b>Middle</b>	66.67	63.77	64.01	56.84	91.68	76.69	\$179,223
<b>Upper</b>	33.33	36.23	35.99	43.16	8.32	23.31	\$259,660
<b>Total of Median</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>\$216,068</b>

Source: 2000 U.S. Census

## **PERFORMANCE CONTEXT (CONTINUED)**

The following table provides demographic and economic information pertaining to the Bank's assessment area for 2004. This table reflects the breakdown of the assessment area's census tracts based on the median income for the Boston-Quincy MD. The census data for the assessment area's 9 census tracts within the MD are as follows: 4 middle-income and 5 upper-income.

<b><i>Selected Housing Characteristics by Income Category of the Geography</i></b>							
<b><i>Geographic Income Category</i></b>	<b><i>Percentage</i></b>						<b><i>Median Home Value</i></b>
	<b><i>Census Tracts</i></b>	<b><i>House- holds</i></b>	<b><i>Housing Units</i></b>	<b><i>Owner- Occupied</i></b>	<b><i>Rental Units</i></b>	<b><i>Vacant Units</i></b>	
<b>Middle</b>	44.44	44.71	44.90	38	71.57	56.75	\$163,520
<b>Upper</b>	55.56	55.29	55.10	62	28.43	43.25	\$245,549
<b>Total of Median</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>216,068</b>

Source: 2000 U.S. Census

Demographic data obtained from the CRA WIZ indicate that the Bank's assessment area contains a total population of 44,557 individuals. There are 16,514 housing units within the assessment area, of which 78.58 percent are owner-occupied, 19.44 percent are rental occupied, and 1.97 percent is vacant units. Households living below the poverty level represent 5 percent of total households.

### ***Community Contacts***

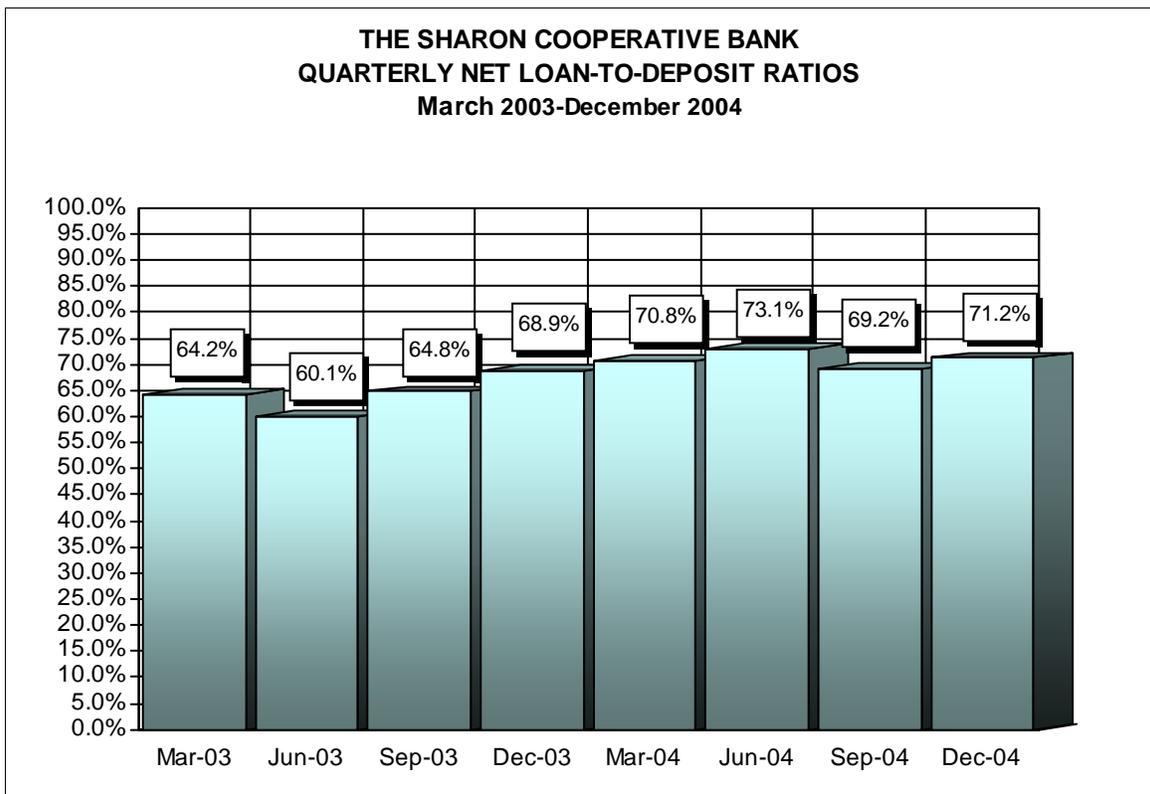
Two area community contacts that were conducted in 2003 were reviewed during this examination. These local housing agencies indicated the need for affordable housing and low cost banking services in their respective communities. Support of housing initiatives by both public and private sectors are needed.

## PERFORMANCE CRITERIA

### 1. LOAN TO DEPOSIT ANALYSIS

Based upon the Bank's asset size, its capacity to lend, and the credit needs of its customers, the institution's net loan-to-deposit ratio meets the standards for satisfactory performance.

An analysis of Sharon Co-operative Bank's net loan-to-deposit ("LTD") ratio was performed during the examination. The analysis utilized the last eight quarters of the Federal Financial Institutions Examination Council ("FFIEC") Call Report data for this institution. The Bank's net LTD as reported to the FFIEC was reviewed for the quarters ending March 31, 2003 through December 31, 2004. The following chart indicates that for the period reviewed, the Bank's net LTD ratios were reasonably consistent with an average of 67.8 percent for the period reviewed. Call report data for this period indicates that total loans increased by approximately 11.6 percent while total deposits increased by less than 1 percent.



The Bank's net LTD ratio for fourth quarter 2004 is indicated below and is compared to other institutions that operate within the Bank's assessment area. Sharon Co-operative Bank's efforts in stimulating loan growth by bringing rates more in line with the competition and in favorable comparison to four other institutions, as shown in the following table, puts the Bank's net loans-to-deposit ratio at a satisfactory level.

## **PERFORMANCE CRITERIA (CONTINUED)**

<i>Loan-to-Deposit Ratios as of December 31, 2004</i>			
<b>Bank</b>	<b>Net Loans (\$000)</b>	<b>Deposits (\$000)</b>	<b>% LTD</b>
Stoughton Cooperative Bank	52,541	69,041	76.1
Mansfield Cooperative Bank	152,757	203,281	75.1
Sharon Cooperative Bank	42,614	59,864	71.2
Easton Cooperative Bank	47,816	72,432	66.0
Canton Cooperative Bank	29,443	65,717	44.8

Additionally, the Bank is an active participant in the secondary mortgage market. Participation in the secondary mortgage market allows for more efficient management of the Bank's liquidity position and also makes funds available for additional lending. In 2004, the Bank sold 7 loans totaling \$1,169,452.21 to the Federal Home Loan Bank.

Based on the foregoing information, the Bank's asset size and resources, and the credit needs of its customers, the Bank's net loan-to-deposit ratio is considered to be adequate.

## **2. LENDING TO BORROWERS OF DIFFERENT INCOMES**

The distribution of residential loans to borrowers of different incomes reflects adequate penetration among all income levels. Based upon this analysis, the Bank's efforts meet the standards for satisfactory performance.

The analysis of borrower income level was identified as the ratio of borrower income to the median family income<sup>1</sup> for the assessment area towns located within the Boston MSA. The median family income is based upon estimated 2003 and 2004 HUD information for the MSA. The 2003 median family income for the Boston MSA is \$80,800. The 2004 median family income for the Boston-Quincy MD is \$75,300.

The following table indicates loans originated and categorized by the applicants' reported income in relation to the median family income for the MSA in which the property is located. Loans extended to borrowers with incomes within the upper-income level for the MSA median family income represented the largest individual category with 59.6 percent of the total number for the period reviewed. Loans extended to borrowers of middle-income were next with 28.28 percent of the total number. Loans to borrowers of low- and moderate-income represented 7.07 percent and 5.05 percent of loans

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<sup>1</sup> As defined by the U.S. Department of Housing and Urban Development (HUD) Low-income is defined as income level or area that earns less than 50 percent of the MSA's median family income. Moderate-income is defined as an income level that is 50 percent to less than 80 percent of the MSA's median family income. Middle-income is defined as an income level that is 80 percent to less than 120 percent of the MSA median family income, while upper-income is defined as an income level that is equal to or greater than 120 percent of the MSA's median family income.

## **PERFORMANCE CRITERIA (CONTINUED)**

originated, respectively. The following table provides a breakdown of residential loans originated by number categorized by the applicants' income level.

<b>Distribution of HMDA Loans by Borrower Income</b>								
<b>Median Family Income Level</b>	<b>% Families<sup>1</sup></b>	<b>Aggregate Lending Data (% of #)</b>	<b>2003</b>		<b>2004</b>		<b>Total</b>	
			<b>2003</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>
Low	13.56	4.82	5	6.02	2	12.50	7	7.07
Moderate	15.18	16.18	4	4.82	1	6.25	5	5.05
Middle	22.43	26.39	26	31.33	2	12.50	28	28.28
Upper	48.83	37.86	48	57.83	11	68.75	59	59.60
NA	0.00	14.75	0	0.00	0	0.00	0	0.00
Total	100.0	100.00	83	100.0	16	100.0	99	100.0

Source: <sup>1</sup>2000 U.S. Census, HMDA LAR HMDA Aggregate Data

The Bank's relatively low penetration among lower income borrowers, especially moderate-income borrowers, may be attributed to the continuing high cost of housing within the assessment area. Since 2002, the median cost of a single family home in Sharon and Stoughton increased by more than 14 percent and 20 percent, respectively. The median cost of a condominium for the same period increased more than 26 percent in Sharon and almost 21 percent in Stoughton<sup>2</sup>. The rapid increase in housing costs continues to be a prohibitive factor in homeownership for low- and moderate-income borrowers.

Additionally, the number of loans made to moderate-income borrowers was less than the percent of moderate-income families. Also, the Bank's level of lending among low- and moderate-income borrowers decreased significantly for 2004. Based on this performance, Sharon Co-operative Bank has made an adequate level of loans among low- and moderate-income borrowers.

### **3. GEOGRAPHIC DISTRIBUTION OF LOANS**

The analysis of the geographic distribution of residential loans and a comparative analysis of 2003 Home Mortgage Disclosure Act ("HMDA") aggregate data indicate that Sharon Co-operative Bank's efforts meet the standards for satisfactory performance.

The Bank's lending activity within the assessment area was reviewed in order to determine the distribution of lending among census tracts of various income levels. As mentioned in the performance context, the Bank's assessment area contains four middle-income census tracts and five upper-income census tracts. As mentioned in the Performance Context section of this evaluation, there are no low- and moderate-income census tracts within the Bank's assessment area.

<sup>2</sup> Based on Banker and Tradesman Town Statistics as of December 2004

## **PERFORMANCE CRITERIA (CONTINUED)**

The analysis of the Bank's loan originations indicates that 24 loans or 24 percent were located in middle-income census tracts while 75 loans or 76 percent were located in upper-income census tracts.

Refer to the following table.

<b>Distribution of HMDA Loans by Income Category of the Census Tract</b>								
<b>Census Tract Income Level</b>	<b>% Total Owner-occupied Housing Units<sup>1</sup></b>	<b>Aggregate Lending Data (% of #)</b>	<b>2003</b>		<b>2004</b>		<b>Total</b>	
			<b>2003</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>
Middle	56.84	50.92	22	26.51	2	12.50	24	24.00
Upper	43.16	49.08	61	73.49	14	87.50	75	76.00
Total	100.00	100.00	83	100.0	16	100.0	99	100.0

Source: <sup>1</sup>2000 U.S. Census, HMDA LAR HMDA Aggregate Data

Based on the above analysis, the geographic distribution reflects a reasonable penetration in the various census tracts within the assessment area. Therefore, performance under this criterion is deemed Satisfactory.

#### **4. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

Based upon the analysis of residential loan data, the Bank's level of lending within the assessment area does not meet the standards for satisfactory performance.

Data regarding the Bank's residential mortgage lending activity for 2003 and 2004 was reviewed to determine the proportion of loans within the assessment area by number of originations and dollar amount. Mortgage lending data was obtained from the Bank's Loan Application Register ("LAR") filed under the provisions of HMDA.

The data revealed that the Bank originated 205 HMDA reportable loans during this period. Of this number, 99 loans or 48 percent were originated within the Bank's assessment area. The Bank's percentage of lending within its assessment area was slightly higher in terms of dollar amount. During the period under review, the Bank extended \$33.33 million in HMDA reportable loans. Of this amount, \$16.99 million or 51 percent was originated within the Bank's assessment area. Refer to the following table.

<b>Distribution of HMDA Loans Inside and Outside the Assessment Area</b>										
<b>Year</b>	<b>Number of Loans</b>					<b>Dollars</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
2003	83	50.0	83	50.0	166	13,598	53.0	11,855	47.0	25,453
2004	16	41.0	23	59.0	39	3,388	43.0	4,481	57.0	7,869
Total	99	48.0	106	52.0	205	16,986	51.0	16,336	49.0	33,322

Source: HMDA LAR CRA WIZ 2003

## **PERFORMANCE CRITERIA (CONTINUED)**

Based on the above analysis, Sharon Co-operative Bank's loan distribution reflects the majority of loans were made outside the assessment area. Therefore, the institution's level of lending within its assessment area does not meet the standards for satisfactory performance.

### **5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES**

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

Sharon Co-operative Bank's fair lending data was reviewed to determine how this information relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. The Bank's Fair Lending Policy addresses specific areas relating to internal and external employee training and makes reference to HMDA, CRA, the Equal Credit Opportunity Act ("ECOA") and Fair Lending Regulations. Primarily, the Bank markets its services and products to the community through print media and the Internet.

A thorough review of the public comment file revealed that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. Sample reviews of the Bank's approved and non-originated residential loan application files were conducted to test for fair lending issues. No discriminatory practices were noted.

### **MINORITY APPLICATION FLOW**

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. Between 2003 and 2004, the Bank received a total of 111 residential loan applications from within its assessment area. During this period, 7 applications were received from minorities. Of the 7 applications received from minority applicants, all were approved.

Refer to the following table for further details.

<b>Minority Application Flow*</b>								
<b>Race</b>	<b>2003 Aggregate Data</b>		<b>Bank 2003</b>		<b>Bank 2004</b>		<b>Bank Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<i>Native American</i>	24	0.25	0	0.00	0	0.00	0	0.00
<i>Asian</i>	350	3.71	5	5.43	0	0.00	5	4.50
<i>Black</i>	355	3.76	0	0.00	0	0.00	0	0.00
<i>Hispanic</i>	107	1.14	0	0.00	1	5.26	1	0.90
<i>Joint</i>	0	0.00	0	0.00	1	5.26	1	0.90
<i>Other</i>	241	2.55	0	0.00	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
<b>Total Minority</b>	<b>1,077</b>	<b>11.41</b>	<b>5</b>	<b>5.43</b>	<b>2</b>	<b>10.53</b>	<b>7</b>	<b>6.31</b>
<i>White</i>	5,984	63.42	87	94.57	16	84.21	103	92.79
<i>NA</i>	2,374	25.17	0	0.00	1	5.26	1	0.90
<b>Total</b>	<b>9,435</b>	<b>100.0</b>	<b>92</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>111</b>	<b>100.0</b>

\*Source: PCI Services, Inc., CRA Wiz Software.

## **PERFORMANCE CRITERIA (CONTINUED)**

The Bank's minority application flow for this period was compared with the racial make-up of the assessment area and the 2003 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Bank received from minority credit applicants.

According to 2000 Census Data, Sharon Co-operative Bank's assessment area contained a total population of 44,557 individuals, 11.82 percent of which is representative of various minority groups. By comparison, the Bank's minority application flow of 6.31 percent is significantly lower, by proportion, than the percentage of minorities within the assessment area. Additionally, the 2003 aggregate data indicates that the total applications received from minority applicants, at 11.41 percent, is considerably higher than that of the Bank, which was 5.43 percent in 2003. By contrast, the 2003 minority application flow indicates that the Bank is not in line with the aggregate data. It is also noted that the aggregate's minority application flow closely reflects the racial composition of the assessment area.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (7 South Main Street, Sharon, MA 02067)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.